Staff Report on the
Schedule for Transition to Retail Access

Introduction

The Virginia Electric Utility Restructuring Act (the "Act") defines in §56-577 a structure for the transition to retail access and the State Corporation Commission's ("Commission") authority in the implementation of that transition. The pertinent parts of §56-577 provide that:

- the Commission shall establish a phase-in schedule for customers by class and percentage of class that will begin no later than January 1, 2002;

- by January 1, 2004, all retail customers are to be allowed to purchase retail electric energy from a licensed competitive supplier;

- the Commission may delay or accelerate the transition implementation, but any such delay may not extend beyond January 1, 2005;

- the Commission shall ensure that residential and small business customers are allowed retail electricity choice in proportions at least equal to the large commercial and industrial classes; and

- the Commission shall promulgate such rules and regulations as may be necessary to implement the transition to competition.

The purpose of this report is to identify the issues related to the implementation of a transition to retail choice and to recommend to the

Commission a process by which such implementation may be achieved and rules that may be necessary to ensure the process is orderly.

As a first step in the production of this report the Staff solicited input from a variety of stakeholders to the transition implementation, including investor-owned and cooperative electric utilities, competitive service providers, and consumer representatives. The feedback we received proved valuable in identifying the issues to resolve and in understanding the expectations of the various parties, and had significant influence on Staff's recommended plan for transition (Attachment A).

Utility Response

Of particular interest was the response of the electric utilities to the question of how quickly they could implement 100% retail choice. Staff asked each utility to consider whether it would be feasible to immediately make retail choice available to all customers on January 1, 2002, or at a later date, rather than a phase-in of choice. Such a "flash-cut" could prove beneficial to the customer education effort and to attracting competitive suppliers to Virginia.

Both Allegheny Power, a subsidiary of Allegheny Energy, and Delmarva Power and Light, a subsidiary of Conectiv, have experience with the transition to retail choice in other states. Both of these companies strongly advocate a flash-cut to full retail choice and indicate that they can be ready by January 1, 2002.

Allegheny Power stated that its experience in Maryland, with immediate implementation, was less costly and less frustrating than Pennsylvania's phase-in process. Allegheny experienced implementation costs that were duplicative with each stage of Pennsylvania's phase-in. In addition, schemes to divide up customers and/or load led to programming constraints, deadlines, pressures and additional costs that were not necessary with immediate implementation.

Delmarva indicated that since choice is already available to its Delaware and Maryland customers, it would not be difficult to make choice available to the relatively small number of customers in its Virginia service territory.

American Electric Power-Virginia ("AEP-VA") suggests an accelerated transition since the pilot retail access programs have facilitated the development of the information technology systems and infrastructure necessary to accommodate full retail choice. AEP-VA advocates a flash-cut to full choice on January 1, 2002, pointing out that such an implementation plan would eliminate many of the issues and concerns related to various types of phase-in plans, such as lotteries or other processes for electing participants. AEP-VA believes that all electric utilities should have the same implementation plan, that a utility with a slower transition plan could be considered to have been provided a form of market protection.

Dominion Virginia Power ("DVP") is concerned that if retail choice is made available to all of its two million customers at once, there could be a deterioration in the quality of its customer service. The Company cites the number of calls and the length of the calls received related to its limited Project Current Choice program and indicates that if the same proportion of calls were received from its total number of customers, problems could arise. DVP also attests that when its affiliated natural gas distribution company, Dominion East Ohio, initiated retail access for all of its 1.2 million natural gas customers in October 2000, an overwhelming number of calls flooded its customer service center causing the ability to handle traditional customer calls, such as billing inquiries or new service requests, to be compromised for an extended period. The Public Utility Commission of Ohio, the Ohio Consumers' Counsel and competitive suppliers also had difficulty handling the increased call volume according to DVP.

DVP, therefore, suggests that retail choice in its service territory be phased-in. The Company has proposed a two year phase-in plan that is attached as Appendix I. The essence of DVP's plan is that for residential, small commercial and church customers, its service territory be divided into three areas, each having approximately 600,000 customers. The three segments would be allowed retail choice in successive steps. When choice is made available to an area, all of the customers in that area would have retail choice, therefore an allocation process to select participants would not be necessary.

For the heavy-usage customers (GS-3 and GS-4 classes), choice would be made available across the entire state, but in three proportional phase-in stages. One-third of the load would be open to retail choice on January 1, 2002, with another third available at the beginning of each of the next two years. For these customers, an allocation method would be necessary.

The Virginia, Maryland and Delaware Association of Electric Cooperatives, its Virginia members, and Old Dominion Electric Power (the "Coops") referred to the diversity inherent among the distribution cooperatives, particular variables being size, geography and population density. Only one of the members, Rappahannock Electric Cooperative, will have any pilot program experience. Because of these facts, the Coops recommend that a flexible implementation schedule be afforded each member. Some members may be able to flash-cut to retail competition as early as January 2002, while others believe they will need until at least January 2003, and preferably January 2004, to prepare.

Kentucky Utilities Company ("KU") did not advocate a specific transition plan. KU asks that its unique characteristics in Virginia be considered by the Commission before any restructuring related decisions are made. In particular, KU points out that it serves only 29,000 customers in Virginia and owns no electric generation facilities in Virginia. In addition, KU is not interconnected with any other utility in Virginia and, therefore, a Virginia-based competitive service provider would be required to access KU's customers via multiple transmission systems.

Discussion of Transition Issues

The following discussion of various issues related to the transition to retail access reflects the information Staff has gathered through research for this phase-in report and our experience with restructuring to date, including pilot programs. Where appropriate, we will attempt to describe the pros and cons of possible actions. We do not, however, intend to present all of the views expressed to us by stakeholders in our preliminary communications.

Flash-Cut Versus Phase-In

The main advantages of a flash-cut to retail access are the simplification of customer education and the attraction of competitive suppliers.

If all customers have the option to choose a competitive supplier on January 1, 2002, or some other date, the customer education effort can focus on that date. There will be no need to make a distinction about competitive service being an option for customers of a particular utility or in a certain area. The selection of the appropriate date for a flash-cut is important because we do not want customers to enter a competitive market that is not ready for them. Such a situation could cause customers to be harmed and market development to be hindered. Therefore, it is essential that permanent rules be in place, business practices be developed, information technology systems be compatible, and an education effort be in process. All of these components will be discussed later.

An immediate transition to retail choice affords us a better chance to attract competitive service providers ("CSPs") to Virginia. We heard from several CSPs that a critical mass of customers is needed to offset the necessary infrastructure and set-up costs and to allow a more efficient use of marketing resources. Some CSPs stated that they were not interested in pilot programs or phase-in schedules and likely would wait for a phase-in to be complete before entering a market.

Another advantage of a flash-cut transition is the avoidance of the argument of unfair competitive options for businesses. For instance, if a steel mill is precluded from competitive choice because of its location or because a phase-in quota is full, it may be placed at a competitive disadvantage to a competing steel mill that has choice.

On the other hand, a phase-in transition to retail access may provide an orderly and structured plan. Each phase of the transition might provide lessons that may be used to make adjustments and improvements that may lead to a stronger competitive market. A phased transition period should temper concerns that consumers may be rushed into a competitive market that is not ready.

The Staff believes that each utility's circumstances should be considered in deciding its transition plan. For that reason, we recommend different plans for our utilities.

Since AEP-VA, Allegheny Power, Delmarva and Kentucky Utilities seem willing and able to make their service territories immediately open to retail choice on January 1, 2002, we see no reason why they should be delayed. If the decision is made that all utilities must make the transition at the same time and at the same speed, to prevent possible service problems the utility least ready to start the transition must be the template for setting the pace.

Although we believe that Dominion Virginia Power’s concerns about customer service disruptions would probably not occur, we understand the cause of their worry. If all two million customers are offered choice at one time, the Company has to be prepared to handle a flood of inquiries. However, in most jurisdictions where customer choice has been opened, the customers have phased themselves in, and done so at a relatively slow pace.

The incident that the Company cites with Dominion East Ohio ("DEO") appears to be a special circumstance that should not be repeated in Virginia. When the Ohio natural gas retail choice program began, First Energy Services offered for a short, limited time a 20% savings on natural gas to DEO’s customers plus a 10% savings on electricity rates beginning January 1, 2001, when the Ohio electric market is opened to retail access. This offering resulted in about 90,000 DEO customers signing up. Call centers were flooded such that a local 911 system was temporarily interrupted. The experience of Dominion East Ohio has not caused the Public Utility Commission of Ohio or the Ohio Legislature to delay the January 1, 2001 date of immediate retail access for all electric customers.

However, Staff agrees with DVP that the quality of customer service must be maintained. We seek to accommodate DVP's assurance of an orderly transition, but hope to expedite the process.

DVP's plan to segregate its service territory into three segments should allow the Company to focus its call center resources so that calls can be handled properly. Although a geographic phase-in presents some challenges from a customer education standpoint, that may be the most effective method of controlling the number of customers exposed to retail choice at one time.

DVP's plan of treating the industrial and large commercial customers (collectively referred to as industrial customers) differently makes sense. The statewide proportional phase-in of industrial load eliminates the problem of a company with multiple plants throughout DVP's service territory not being able to seek a competitive supplier to meet its entire load because some plants are in a region that does not yet have choice.

There is one change to Dominion Virginia Power's proposed plan that Staff recommends. We believe that an orderly phase-in can be maintained using a shorter transition period. Rather than taking two years for the transition, we recommend one year. On January 1, 2002, one-third of the industrial load plus the Northern Region would be opened to choice, as in

DVP's plan. On September 1, 2002, the second-third of industrial load plus the Central/Western Region would have choice. On January 1, 2003, the remaining industrial load and the Eastern Region would have choice, completing the transition.

This expedited schedule allows eight months to lapse between the first and second phase. There would then be a four month period to prepare for the final segment of the phase-in. If the Company encounters difficulties in handling a segment of the phase-in, it will have the opportunity to request, with cause shown, an extension for the following segment.

The Staff hopes that competitive suppliers will acknowledge the opportunities available to them with a one year phase-in of Virginia's largest utility and will not hesitate to enter our market. Structuring DVP's phase-in from the north to the south offers CSPs a natural flow from the Northeastern and Mid-Atlantic regions, in which many states are already open to retail access.

Although it may appear unfair for Dominion Virginia Power to be gradually opening to full access while the other investor-owned utilities open immediately on January 1, 2002, two things should be considered. First, one-third of DVP's total number of customers, over 600,000, is as large as the total number of Virginia customers of the other investor-owned companies combined. Also, by expediting the schedule as suggested by Staff, DVP's phase-in will be complete within one year.

As for Virginia's electric cooperatives, they have unique characteristics, as recognized by the Virginia Code in general and the Restructuring Act in particular. The Staff recommends that the cooperatives be allowed a significant degree of flexibility. We recognize that some of the smaller cooperatives have not yet begun to obtain the appropriate information technology systems. It is time for them to begin that process, however. We believe that two years is enough time for each cooperative to be prepared for retail choice. We, therefore, recommend that each of Virginia's electric cooperatives open their entire service territories to retail choice by January 1, 2003. We encourage those cooperatives that are able to make a transition before that time to do so. Staff recommends that the cooperatives file quarterly status reports beginning July 2001, detailing their transition efforts and the estimated dates of the offering of full retail choice.

The transition plans proposed by Staff meet the objectives of the Act. Residential consumers are allowed choice in a proportion at least equal to the industrials and the transition is complete by January 1, 2003. Although we would prefer to avoid the problems inherent in a phase-in, this approach appears to be the best to avoid the potential for customer service disruptions in DVP's territory.

Implementation Details

Although a flash-cut or phase-in appear to be the only options available for a transition to competition, there are a variety of methods available to the Commission using those two options. If the Commission decides not to adopt the Staff's recommendation, the flash-cut method could be adopted, but at a different date, such as January 1, 2003. If a phase-in approach is adopted by the Commission, schedules could be shortened or lengthened and can be in two stages, three stages or more. Residential customers could be phased-in faster than industrial customers.

In the administration of whatever plan is adopted, there are certain details that must be considered. The Staff recommendations on the following details are offered from the experience gained from the pilot programs. Most of the details discussed below apply only when a proportional phase-in approach is used.

We do not recommend that a volunteering process be used. In that process, customers interested in considering a switch to a competitive supplier notifies their utility. They are then placed on a list made available to licensed suppliers. If a customer allows it, the utility releases to the CSPs a record of the customer's monthly usage.

The volunteering process is unnecessary. We recommend that utilities provide CSPs a mass list of its customers after providing customers an opportunity to "opt out."

We also recommend that for proportional phase-in plans customers be allowed to switch on a first-in basis rather than be selected by lottery. By first-in, we mean that those customers that apply to switch to a competitive supplier be considered by the utility on a first-come, first-serve basis when considering its phase-in quota for that class. The first-in approach more accurately reflects the competitive nature of the market and provides those customers that are the most enthusiastic about competition an opportunity to enter the marketplace.

A lottery system, whereby customers enter their names to be selected by lottery to have an opportunity to fill a slot in the phase-in, presents several problems. Sometimes customers selected by lottery never actually shop and, therefore, limit the participation in the competitive market. Lotteries can cause customer confusion and add marketing complexities for the CSPs. In addition, lotteries are an unnecessary expense for the incumbent utilities.

Another Staff recommendation for the transition is that customers not be required or allowed to split their load; in other words, any customer, but particularly large-users, must have each service location supplied by a single supplier, whether the incumbent utility or a CSP. Splitting load can cause problems with tracking, switching, scheduling and reconciliation.

Under a first-in phase-in plan, industrial customers that wish to switch suppliers will sign up with a CSP, which in turn will enroll that customer with the incumbent utility. If the quota for that segment of the phase-in has not been filled, that customer's entire load will be allowed to switch. We recommend that phase-in quotas have the flexibility to go over the stated goal to accommodate the last qualified customer's entire load to be switched. We also recommend that incumbent utilities using a proportional phase-in plan provide an internet site offering information on the amount of the phase-in quota that has been taken and the amount left. Also, if a customer tries to enroll and a phase-in quota has already been reached, that customer should be allowed to remain on a list saving its spot either for the next segment of the proportional phase-in or if a shopping customer returns to the incumbent creating an opening under the quota.

Obviously, many of the details just discussed are irrelevant under a flash-cut transition. If Staff's recommended transition plans are accepted by the Commission, the only proportional phase-in will be for Dominion Virginia Power's GS-3 and GS-4 customers. All of DVP's residential and small commercial customers would be phased-in by geographic region at 100%. Also, the industrial proportional phase-in will be statewide rather than geographic, which eliminates some problems related to competitive disadvantage.

During the transition to full retail choice, Staff recommends that the customers that are currently participating in a retail pilot program be allowed to have the choice of remaining with their current supplier, switching to another CSP, or returning to the incumbent utility, even if retail access is not yet available to all customers in that region.

Restructuring Act Clarification

The Staff questions whether §56-577 of the Act provides the Commission the flexibility to define different transition plans for Virginia's electric utilities or whether a single, state-wide plan is required. In discussions with various stakeholders, some indicated that they believe the Commission does have the flexibility to establish transition schedules on a utility-by-utility basis, others suggested that a clarifying amendment to the Act would be appropriate, and AEP-VA believes the Act intended a uniform transition to retail choice.

The Coops make an argument that the Commission already has the needed flexibility. They state that §56-577 limits the Commission's flexibility in only two ways: 1) by January 1, 2004, the transition must be complete unless delayed no more than one year for reliability, safety, communications or market power issues; and 2) residential and small business customers must be phased-in in a proportion at least equal to the industrials. The Coops then point to §56-577 A 2 a which states that the "Commission shall establish a phase-in schedule for customers by class." Since the Commission has jurisdiction to define each regulated utility's customer classes, and the Commission bases such classes on usage characteristics of customers using an incumbent utility's service, the Act's reliance on established customer classes suggests that transition plans will be on a utility-by-utility basis.

To avoid any potential confusion or complications, Staff has proposed a clarifying amendment to the Legislative Transition Task Force (LTTF).

Preparation for Transition Implementation

There is still a great deal of work to do to prepare Virginia for a smooth transition to retail access. There are responsibilities that variously fall to the Commission, incumbent utilities, competitive service providers, and electricity consumers. The following section of this report discusses those matters.

Regulatory Readiness

On May 26, 2000, the Commission issued its Order in Case No. PUE980812, which established interim rules for retail access programs ("Interim Rules"). The Interim Rules govern issues in both natural gas and electricity retail access programs including licensing, codes of conduct, and standards of conduct governing relationships among participating parties. The Commission in its Order recognized that the Interim Rules may require modifications to accommodate full scale retail choice.

Although electricity retail access pilot program experience in Virginia has been limited, it is time to begin a process to revisit the Interim Rules to modify them for the transition to full choice. In our stakeholder discussions, the importance of finalizing the rules well in advance of January 1, 2002, was repeatedly stressed. Both utilities and competitive service providers state that they need those rules in place approximately six months in advance of the opening of competition. Once rules are established, time is required to design, program and service systems to implement the new rules and then to test those systems.

If the Interim Rules are not changed substantially, six months advance preparation probably is not necessary. However, until the process of reviewing and modifying the Interim Rules has begun, we do not know how significant the changes will be. This process is beginning and should be completed by next summer.

Another recent Commission proceeding was started to assist in the development of recommendations to the LTTF on issues related to metering and billing services. That proceeding (Case No. PUE000346) is still in progress and we do not know what recommendations will result, nor what action the LTTF will implement. To prepare for the time when competition for these services is mandated, however, rules should be developed. Metering and billing rules will be closely related, and in some instances intertwined, with the rules that will result from the Interim Rules modification. The process for reviewing the Interim Rules and developing the metering and billing rules will be coordinated.

The Act requires in §56-590 that the Commission direct the functional separation of generation, retail transmission and distribution for each incumbent electric utility by January 1, 2002. Those incumbent utilities are directed to submit their plans to the Commission by January 1, 2001. The accomplishment of the functional unbundling will be necessary before the transition to full retail access. To be prepared for a January 1, 2002, start date for the transition, the functional unbundling cases should be completed a reasonable period before that date.

Another important duty for the Commission, one that is dependent upon the results of functional unbundling decisions, is the setting for each incumbent utility of a price-to-compare. This information must be presented in a clear manner since it will be used by consumers in making their decision whether to accept a competitor's offer. The price-to-compare should be set as early as possible so CSPs can begin to design their offers.

In §56-585 of the Act, the Commission is directed to determine the components of default service and establish programs making default service available "commencing with the date of customer choice for all retail customers…." Therefore, the date for the setting of default service provisions is dependent upon the decision the Commission makes about the transition to retail choice. If the Staff's recommendations are accepted, all retail customers will have choice on January 1, 2003. That should provide time to explore the issue of default service including, perhaps, allowing competitive providers to bid for the right to provide default service for all or a portion of an incumbent utility's retail customers.

Market Readiness

The most critical aspect in preparing Virginia's electricity market for competition is customer education. The Commission has already developed the basic structure of a program at the direction of the LTTF. The structure of the transition plan is an important component in determining the design of the education plan. Staff's recommendation of utility-by-utility transition plans may present challenges in conveying a message throughout the Commonwealth. Using a flash-cut method of transition for the entire state would allow an education campaign to focus upon a single date for all customers.

Staff feels confident, however, that an effective education campaign will still be possible. We recommend that the Commission direct the incumbent utilities to update their customers periodically through bill inserts about the date when that customer will have choice. It should assist the education effort to have the transition plan defined at an early date, which is one of the reasons this report is being prepared now.

We asked stakeholders to comment on whether there were transmission issues we should consider in developing the transition plan. Virginia has regional transmission constraints that cause limited import capability, especially for Dominion Virginia Power's service territory. As a part of its retail access pilot, DVP made 400 MW of transmission capability available for competitors.

Generally, the comments we received indicate that transmission issues are extremely important, but are independent of the type of transition plan that the Commission may approve. Federal Energy Regulatory Commission proceedings, the development of regional transmission entities, and the separation of transmission from generation and distribution through functional unbundling, are the venues for examining transmission issues.

Utility/CSP Readiness

The most critical preparation necessary for the utilities and CSPs to assure an orderly transition involve information technology systems and business practices. Fortunately all of Virginia's investor-owned utilities, except Kentucky Utilities, are participating in retail access programs either here, through pilots, or in other states. Those experiences should help expedite the implementation of retail choice.

Staff can verify that the processes of developing Interim Rules and electronic data interface (EDI) standards have been valuable learning experiences. If we had not already gone through those processes there would probably be no effective way to begin retail choice on January 1, 2002.

Many of the CSPs that have already received licenses to provide electricity service in Virginia have operated in other jurisdictions. Seven of those CSPs have already completed the EDI certification process with DVP, which is necessary before a CSP can enroll a customer of that utility. The EDI certification process with AEP-VA is nearly completed with one CSP. Both Allegheny Power and Delmarva are experienced with EDI from other states they serve. Kentucky Utilities has not had experience with retail choice, but the fact that they have only 29,000 Virginia customers limits the amount of data transactions that will be required.

Two electric cooperatives that have made progress with EDI standards are Rappahannock Electric Cooperative, which is beginning a pilot program in January 2001, and Mecklenburg Electric Cooperative. The other Coops can learn from Rappahannock's experiences. Widely accepted EDI standards have created a market for software vendors, who can develop complete business system processors and EDI translators for utilities or CSPs.

It is important that Virginia EDI standards and business practices continue to conform in large part with the standards of other states in our region. There are both regional and national EDI and business practices groups in which the Staff actively participates. Having uniform business rules and EDI standards allows CSPs to operate seamlessly from state to state. Competitive providers have emphasized to us the importance of such uniformity when a CSP is deciding whether to enter a market.

Summary

The easiest implementation plan for the transition to full retail choice would be an immediate flash-cut for all customers of all incumbent utilities at the same time. However, Virginia's utilities have unique and distinctive characteristics that should be considered. That has led Staff to recommend transition plans that differ for utilities. The intention of the implementation design we recommend is to transition customers to retail choice as rapidly as possible while assuring that the utility and CSP systems are not disrupted and that the market is ready for such a significant change. Staff's recommended plan is detailed in Attachment A.

Finally, there is a great deal of preparation work left for the January 1, 2002, beginning of the transition to retail access. One duty particularly significant is the review of the Interim Rules used in pilot programs to modify them if necessary for full competition. That process has begun with the goal of issuing new rules by the summer of 2001. The rules for metering and billing will be considered in conjunction since many issues will be common.

STAFF'S RECOMMENDED PLAN FOR THE
TRANSITION TO RETAIL ACCESS

- AEP-VA, Allegheny Power, Delmarva and Kentucky Utilities will immediately transition to full retail choice on January 1, 2002.

- Dominion Virginia power will adhere to its proposed transition plan as detailed in Appendix I with the following modifications:

- January 1, 2002 – full retail choice available to residential and small commercial customers in the Northern Region and one-third of the system industrial load opened to retail choice.
- September 1, 2002 – full retail choice available to residential and small commercial customers in the Central/Western Region and two-thirds of the system industrial load opened to retail choice.
- January 1, 2003 – full retail choice for the Eastern Region and all industrial load opened to retail choice.

- Electric Cooperatives may move to full retail choice at their own pace to be completed by January 1, 2003. Quarterly reports will be filed beginning July 2001, detailing the transition efforts.

- Customers shall not be made to volunteer before participating. Incumbent utilities are to provide competitive service providers a mass list of customer information after allowing customers an opportunity to opt-out.

- For proportional phase-in schedules, the following rules shall be followed:

- No use of lottery systems for the selection of participants.
- Participation be made available on a first-in basis.
- A customer's load at a specific service location should not be split among more than one supplier.
- A phase-in segment's quota be flexible so that the last customer allowed to participate be able to switch its entire load.

DOMINION VIRGINIA POWER
Proposed Schedule for the Phase-in of Retail Access

Residential and Small / Mid-sized Customers

- Residential, GS-1 (up to 30 kW), GS-2 (30 kW – 500 kW), and Church and Synagogue customers would be phased-in by geographic regions principally aligned with the Commonwealth's mass media markets. By using this approach to define the regions, the availability of choice can be closely coordinated with the Commission's Consumer Education Plan so that mass media advertising can be targeted to those areas in a cost-effective manner.

- The attached map and the table below offer a proposed geographic split of our service area that produces three roughly equal increments.

Date	Region	Residential	GS-1	GS-2	Churches	Total	% Eligible
1-1-02	Northern	618,987	49,536	11,164	435	680,122	34.8%
1-1-03	Central/Western	562,776	54,382	10,669	1311	629,138	66.9%
1-1-04	Eastern	587,665	49,069	9,391	962	647,087	100.0 %
Totals		1,769,428	152,987	31,224	2708	1,956,347	

- The Northern choice region would be within reach of the Washington, DC-based media. The Central / Western region would combine the Richmond, Charlottesville, Harrisonburg and Roanoke media markets. The Eastern region would be those areas in the Norfolk-Virginia Beach media market.

- When choice is available in a given geographic region, every customer within that area's defined boundaries would be able to switch to a competitive supplier, i.e., there would be no participation limits, and thus no need for lotteries or keeping track of which customers were "first-in."

- The make-up of the three geographic regions would be defined as including individual localities or political subdivisions - counties, towns and cities. Dominion Virginia Power would be responsible for notifying its customers in those localities when they have choice and are eligible to shop and switch to a competitive supplier.

- There would be no volunteering process, but a mass list of eligible customers should be created and made accessible to suppliers. Customers in the geographic area(s) that have choice would be notified that their information (e.g., name, account number, usage, etc.) would be made available to licensed suppliers through a secure website unless they respond and indicate their preference to "opt out" by a certain date. Such a list would serve a dual purpose – to provide customer information that would help "jump start" the market and provide suppliers with data needed to validate enrollments.

- Effective December 31, 2001, Project Current Choice would end. Pilot customers being served by a competitive service provider, but not in the initial phase-in geographic area(s), would continue to have choice available as if they were in an open region.

<u>Large Commercial and Industrial Customers</u>

- For non-residential customers that meet the applicability requirements of Dominion Virginia Power's GS-3 and GS-4 customer classes, choice would be made available across the entire service area in three equal increments.

- The thresholds for each of the three phase-in stages would be based on making equal proportions of the total annual sales to these customers – approximately 18 million MWh – available to be served by a competitive supplier, as follows:
  - January 1, 2002 -- 6 million MWh eligible to be served competitively (33.3%)
  - January 1, 2003 -- 12 million MWh (66.7%)
  - January 1, 2004 -- 18 million MWh (100%)

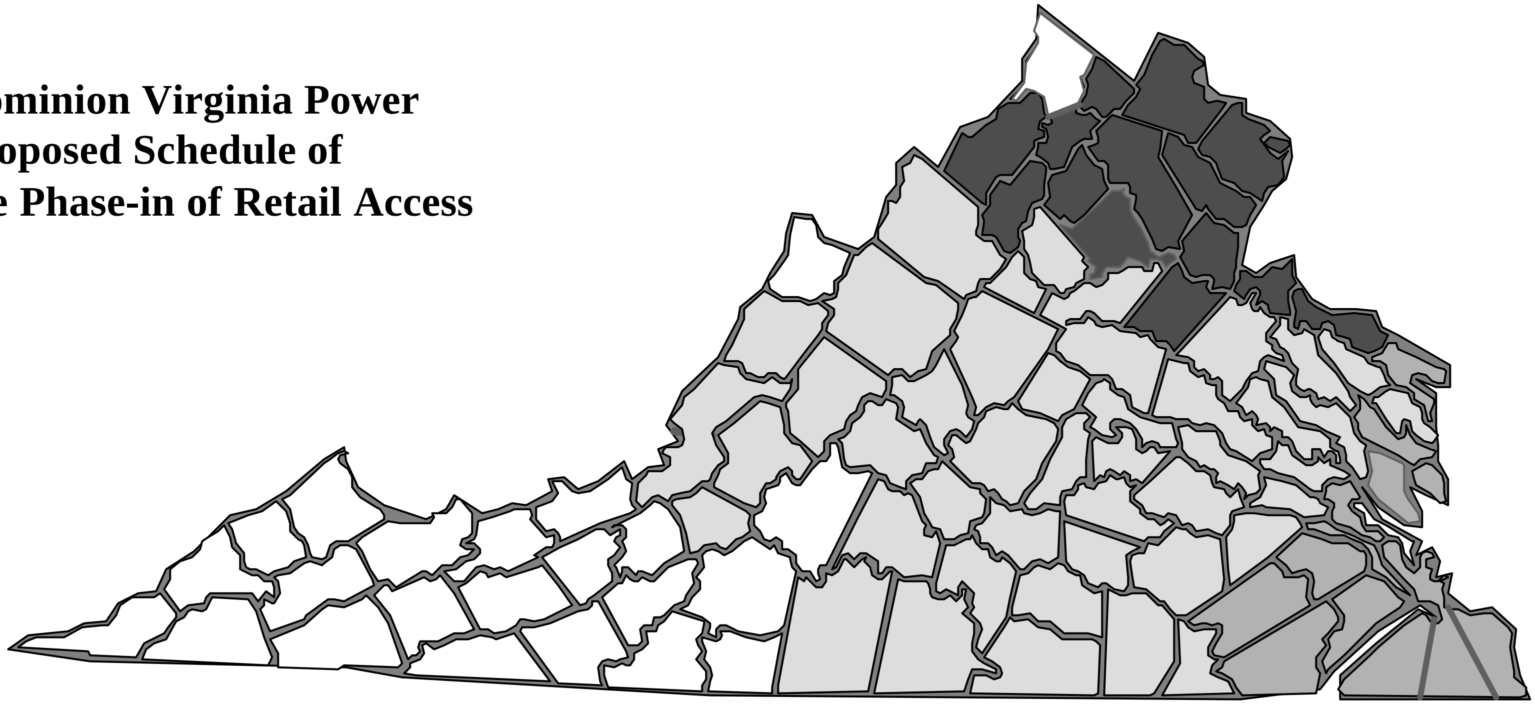
- The preferred approach would be to take accounts on a "first-in" basis rather than conducting a volunteering process or a lottery. However, if these larger customers are concerned about an entity gaining a competitive advantage in their respective industry as a result of one company having choice while another does not during the two year phase-in period, the Company would be willing to conduct a lottery to give all customers an equal opportunity to participate in choice in years 1 and 2.

- There would be no limits on the number of MWhs that a specific customer could use toward the annual threshold limits, and enrollments would be accepted on a "first-in" basis until the annual limits are reached.

- There would be no split loads, i.e., every customer participating in choice would have its entire load served by a single competitive service provider

- Customers that won the lottery for Plan B of Project Current Choice and which are being served by a competitive service provider on December 31, 2001, would automatically be included in the first phase, and their annual usage would count towards the January 1, 2002 threshold. If any of the pilot customers were taking less than their full requirements from a supplier (i.e., a portion was still being billed on regulated bundled rates), those customers would have to arrange to have all of their load served by their chosen competitive service provider.

Dominion Virginia Power
Proposed Schedule of
the Phase-in of Retail Access



Northern Virginia Counties: Arlington, Clarke, Culpeper, Fairfax, Fauquier, King George, Loudoun, Page, Prince William, Rappahannock, Shenandoah, Spotsylvania, Stafford, Warren and Westmoreland
Northern Virginia Towns & Cities: Alexandria, Fairfax, Falls Church, Fredericksburg, and Manassas

Central / Western Virginia Counties: Albermarle, Alleghany, Amelia, Amherst, Appomattox, Augusta, Botetourt, Brunswick, Buckingham, Campbell, Caroline, Charles City, Charlotte, Chesterfield, Craig, Cumberland, Dinwiddie, Essex, Fluvanna, Goochland, Greene, Greensville, Halifax, Hanover, Henrico, King and Queen, King William, Lancaster, Louisa, Lunenburg, Madison, Mecklenburg, Nelson, New Kent, Nottoway, Orange, Pittsylvania, Powhatan, Prince Edward, Prince George, Richmond, Rockbridge, and Rockingham
Central / Western Virginia Towns & Cities: Buena Vista, Charlottesville, Clifton Forge,Colonial Heights, Covington, Emporia, Hopewell, Lexington, Petersburg, Richmond, Staunton and Waynesboro

Eastern Virginia Counties: Gloucester, Isle of Wight, James City, Mathews, Middlesex, Northumberland, Southampton, Surry, Sussex and York
Eastern Virginia Towns & Cities: Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk,Virginia Beach and Williamsburg